

EXHIBIT C

**Attached to Conservation Groups'
May 27, 2011 Public Comment Letter
Submitted in EIB 11-01 (R) and EIB 11-02 (R)**

Memorandum Ex-Parte Communications
Calls with PNM

March 8, 2011, 3:00pm – 4:00pm

Pine Tree Room, 6th Floor

U.S. Environmental Protection Agency – Region 6
Dallas, Texas

Present: PNM: Maureen Gannon, Patrick Themig, Richard Alvidrez
NMED: Mary Uhl (phone)
EPA: Thomas Diggs, Guy Donaldson, Joe Kordzi, Agustin Carbo

Summary of main points

PNM asked about how NMED's SIP revision could impact EPA's proposal. EPA responded that we will review the SIP when it is submitted. EPA also stated that it is hard to see how there will be time for a NMED SIP revision to impact our final decision, given our WEG time table.

PNM asked if their latest submittal to NMED would automatically be included in our record. EPA stated our thinking was that they had to submit it to us in order to have it included in the record.

EPA was asked if there was a chance for any more extensions. EPA replied that was unlikely, but up to WEG.

Mary Uhl went over NMED's SIP submittal schedule: publication 3/31; 60 day comment period, ending 5/31/11; hearing 6/1/11; SIP submittal the next day.

PNM asked if EPA could ask them comments following the end of the comment period. EPA replied "no."

PNM stated they felt they had already made great strides. They stated new vendor information indicated they could achieve 0.23 lbs/MMBtu. They mentioned that Region 9 views their coal differently than we do in Region 6.

PNM asked if there was a mechanism under which they could enter into discussions. EPA replied that APS had approached Region 9 with a proposal.

PNM stated that SNCR was about 1/10 the cost of SCR.

Memorandum Ex-Parte Communications
Calls with PNM

March 8, 2011, 4:00pm – 5:00pm
Regional Administrator Conference Room
U.S. Environmental Protection Agency – Region 6
Dallas, Texas

Present: PNM: Maureen Gannon, Patrick Themig, Richard Alvidrez
NMED: Mary Uhl (phone)
EPA: Al Armendariz, Lawrence Starfield, Thomas Diggs, Guy Donaldson, Joe Kordzi, Agustin Carbo, Javier Balli

Summary of main points

PNM stated the economy in the Four Corners area is driven by fossil fuel extraction. There are nine owners of the four units with PNM the common entity. The Navajo Nation surrounds the facility and Navajos make up a large percentage of the plant and mine work force. PNM went over their previous consent decree upgrades. The plant provides electricity to NM, CO, UT, AZ, and CA.

PNM outlined their areas of concern: Pulling BART in under the visibility transport rule; cost – second lowest cost next to Palo Verde Nuclear for PNM; and they felt the visibility modeling results were negligible.

PNM asked what impact does NMED's SIP revision have on EPA's proposal. PNM wanted to determine if there was some flexibility in EPA's proposal.

PNM stated the Cost Manual was outdated. They stated Black and Veatch has a lot of experience in SCR installations. They stated a lot of site specific issues were ruled out or not considered in EPA's cost evaluation.

PNM stated EPA did not use the most up to date CALPUFF model. PNM stated FuelTech was their vendor, which recently merged with another vendor. As a result, they were now able to obtain a vendor guarantee for 0.23 lbs/MMBtu. They stated SNCR was available for about 1/10 the cost of SCR.

EPA stated they should approach us early if they have an alternative proposal they would like to have considered. PNM stated they will consider submitting comments early.

PNM asked for the outside date for BART alternatives. EPA replied it was 2018.

PNM asked how to approach EPA on proposing alternatives to BART. They cited the Region 9 – APS situation. PNM cited inequities in comparison to the Region 9 Four Corners proposal.

Memorandum Ex-Parte Communications

Meeting with PNM

March 22, 2011, 1:00pm – 2:00pm

Regional Administrator Conference Room

U.S. Environmental Protection Agency – Region 6

Dallas, Texas

Present: PNM: Maureen Gannon, Patrick Themig, Richard Alvidrez
NMED: Raj Solomon, Mary Uhl (phone)
EPA: Al Armendariz, Lawrence Starfield, Carl Edlund, Thomas Diggs, Guy Donaldson, Joe Kordzi, Agustin Carbo, Suzanne Smith, Javier Balli

Summary of Mr. Solomon's main points

Mr. Solomon mentioned there was a new administration in New Mexico with a new Board and that the San Juan Generating Station (SJGS) BART determination had been revised from a determination that SCR was BART to one in which SNCR was BART. He stated that he thought the cost estimate EPA made was too low and that the electricity cost would increase by 12% due to the cost of the SCR. He didn't think the OAQPS Control Cost Manual was appropriate to use for a retrofit and vendor quotes were better suited. He stated the revised regional haze (RH) SIP would go before the Board on 6/1, following a 60 day public notice period. He noted EPA's deadline for making a final determination on its proposal was 6/21/11. He requested a 90 day extension so EPA would have adequate time to review NM's RH submission. He understood that it was not up to EPA to extend the deadline and requested EPA consider approaching a judge directly. He stated NMED would submit comments on our proposal prior to the end of our comment period.

Summary of Maureen Gannon's main points

Ms. Gannon stated that she didn't think it was appropriate to conduct a SCR cost evaluation without having performed a site evaluation. She stated EPA's cost evaluation was too low and that they estimated the average increase to their customers' bill would be \$82/year. PNM would submit detailed comments.

Summary of Richard Alvidrez's main points

Mr. Alvidrez stated that he didn't think that a comparison to EPA's SCR proposal for the Four Corners Power Plant was valid because of the planned shutdown of the first three units and the differences between those units and the SJGS. He stated one year's debt service on an SCR installation would be enough to pay for the cost of a SNCR installation. He did not see the need to link the BART proposal for the SJGS to the visibility transport proposal. He thought a SNCR BART determination for the SJGS would be adequate to satisfy visibility transport requirements because it met the WRAP's NOx modeling limits. He stated that a delay of two years would help a lot.

Summary of Patrick Themig's main points

Mr. Themig went over the controls PNM had installed on the SJGS due to its consent decree and stated the cost of these controls was about \$330M. He didn't feel the additional cost of SCR was warranted. He felt that the installation of SCR was more complex than EPA's contractor had allowed for in her cost evaluation. He thought a site visit was necessary to properly determine the costs. He didn't think it was possible to install SCR on the four units in three years.

Memorandum Ex-Parte Communications

Call with PNM

March 29, 2011, 3:00pm – 4:00pm

U.S. Environmental Protection Agency – Region 6
Dallas, Texas

Present: PNM: Maureen Gannon, Patrick Themig, Richard Alvidrez
NMED: David Martin
EPA: Larry Starfield, Joe Kordzi, Janet McCabe, Phil Lorang, Martha Keeting,
Lea Anderson,

Summary of main points

NMED went over the NMED scheduling for their revised SIP.

PNM stated they disagreed with our proposal and already had in place controls from their consent decree. They stated space consideration should have increased our cost estimate. There is no rail so that all the materials would have to be delivered via truck.

PNM stated they see no reason to combine BART and the visibility transport SIP. EPA should have used the newer version of CALPUFF. They stated they could achieve the presumptive limits using SNCR.

NMED expressed concern over the increases in costs to NM rate payers.

EPA suggested NM send us a copy of their draft SIP.

PNM noted the low NO_x limit of 0.05 lbs/MMBtu in EPA's proposal and the quick installation time frame of three years.

PNM notes that the carrying cost is high so any delay is valuable.